

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of the Petition of )  
 )  
AT&T CORP. and ALASCOM, INC. )  
 )  
For Elimination of Conditions Imposed )  
by the FCC on the AT&T-Alascom Relationship )

To the Commission:

**PETITION FOR ELIMINATION OF CONDITIONS**

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March 10, 2000

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## SUMMARY

By this Petition for Elimination of Conditions, AT&T seeks a "home run" for customers and competition, through authority to integrate the operations of its wholly-owned subsidiary Alascom and to conduct business with Alascom without encumbrance by certain regulations which have long outlived their usefulness. Grant of this relief will set the stage for more efficient service and increased service offerings to all Alaskans.

AT&T asks for authority to provide telecommunications service in Alaska in the same manner as it does throughout the other 49 states, once and for all ending all "special" regulations which have been applied to Alaska. Granting this Petition would provide significant benefits, including improved customer support in Alaska, expanded efficiencies and cost savings, improved opportunities for competition in the form of services and facilities-based entry, especially in the Alaska Bush, and reduction in the costs of regulation which burden AT&T, Alascom and the Commission's staff. These benefits, and more, would result if the Commission removes unnecessary conditions that AT&T and Alascom file and maintain separate FCC tariffs for identical interstate services, they adhere to affiliate transaction rules, and that Alascom be maintained as a corporation separate from its parent, AT&T. To complete the transfer of customers in a seamless manner, AT&T asks for a waiver of the carrier selection rules and, to the extent required, of the Section 214 discontinuance rules, so that it may transfer Alascom's customers to AT&T without obtaining each subscriber's specific authorization and verification and without sending notices of discontinuance.

In addition, Alascom should be relieved of much of the burden of its Alaska Common Carrier Services ("CCS") tariff, Tariff FCC No. 11. Alascom asks for prompt authority to streamline regulation of this tariff and initiate a two-year transition period during which the tariff would remain in place prior to outright cancellation. The CCS rates would be capped and future increases prohibited. Alascom urges the explicit repeal of the "Bush Policy" which is the only remaining basis for the unique regulations and cost structures behind CCS. Repeal of the Bush Policy would allow unfettered facilities-based entry into the Alaska Bush and would

smooth the way for more competitive offerings by AT&T, making the long-term continuation of CCS entirely unnecessary. Indeed, as shown in the Petition, CCS is virtually unused by Alascom's competitors. AT&T requests that the instant petition be deemed to comply with the Section 214 discontinuance requirements with respect to the two external CCS customers, who AT&T expects will have transitioned to other services before the cancellation of the CCS tariff.

The Commission has not examined the Alaska telecommunications market carefully since the late 1980s and early 1990s. Dramatic legal and marketplace changes since that time support the grant of this Petition, including Commission declaration in 1995 that both AT&T and Alascom are nondominant carriers, passage of the Telecommunications Act of 1996 and its codification of the rate integration policy, and enormous growth in competition in Alaska since 1995. Alascom has far less market share, and there are more competitors and competitive facilities, than the last time the Commission examined the Alaska market.

The conditions imposed on AT&T and Alascom, and the CCS tariff, have outlived any usefulness. Today, they serve no public interest purpose and only impose anticompetitive regulatory burdens on AT&T and Alascom, impede the delivery of improved customer benefits, and burden the Commission's resources. Their elimination would improve competition and finally complete the journey toward fully competitive conditions in Alaska which the Commission started so long ago in 1983.

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**PETITION FOR ELIMINATION OF CONDITIONS**

AT&T Corp. ("AT&T") requests authority to integrate the operations of its wholly-owned subsidiary Alascom, Inc. ("Alascom") and to conduct business with Alascom without encumbrance by certain regulations which have long outlived their usefulness. Grant of this relief will set the stage for more efficient service and increased service offerings to all Alaskans.

AT&T intends to become a direct provider of interstate telecommunication services in Alaska, rather than exclusively through Alascom, thereby harmonizing service in Alaska with services provided by AT&T throughout the other 49 states.<sup>1</sup> The integration of operations and elimination of certain regulatory conditions described below would assist AT&T in providing significant improvements for service to Alaska in the 21<sup>st</sup> Century, including:

- Substantial consumer benefits and improved customer support in Alaska.
- Expanded efficiencies and cost savings to AT&T and to its customers.
- Improved opportunities for competition, in the form of services and facilities-based entry,

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<sup>1</sup> Implementation of Section 402(b)(2)(A) of the Telecommunications Act, Report and Order in CC Docket No. 97-11, Second Memorandum Opinion and Order, AAD File No. 98-43, FCC 99-104 (June 30, 1999) eliminated entry certification or filing requirements under Section 214 of the Communications Act for AT&T and all other domestic carriers.

especially in the Alaska Bush.

- Harmonization of telecommunications regulation of Alaska with that prevailing in the other 49 states, reducing the costs and burdens of regulation of Alascom placed on the Commission by the elimination of duplicate tariffs and unique regulatory oversight.

Over time, integration of Alascom operations would allow AT&T to offer the full range of interstate services that it offers in the lower 48 states. The availability of AT&T's services, including those offered at nationally integrated rates, would offer additional competitive opportunities in Alaska to resellers in the form of new services and improved rates.

To allow these benefits to be realized by permitting full integration of Alascom with the rest of AT&T's operations, the Commission should eliminate certain essentially corporate conditions that were imposed on the AT&T-Alascom relationship when AT&T acquired Alascom in August 1995.<sup>2</sup> Specifically the Commission should remove the conditions that:

- (1) AT&T and Alascom file and maintain separate FCC tariffs for identical interstate services;
- (2) they adhere to the affiliate transaction rules; and (3) Alascom be maintained as a corporation separate from its parent, AT&T.

In addition, Alascom should be relieved of much of the burden of its Alaska Common Carrier Services ("CCS") tariff, Alascom Tariff FCC No. 11.<sup>3</sup> Alascom recognizes its special history in connection with this service offering and therefore requests authority to streamline regulation of this tariff promptly and enter into a two-year transition period during which it would remain in place before outright cancellation. Alascom would cap CCS rates at their current levels without any increases in the future. Alascom urges the explicit repeal of the

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<sup>2</sup> In re Application of Alascom, Inc., AT&T Corporation and Pacific Telecom, Inc. for Transfer of Control of Alascom, Inc. from Pacific Telecom, Inc. to AT&T Corporation, 11 FCC Rcd 732, 755-756, 758, 768 (1995) ("Alascom Transfer Order").

<sup>3</sup> See Integration of Rates and Services for the Provision of Communications by Authorized Common Carriers between the Contiguous States and Alaska, Hawaii, Puerto Rico and the Virgin Islands, Final Recommended Decision, 9 FCC Rcd 2197 (Joint Board 1993) ("FRD"), *adopted and modified*, Memorandum Opinion and Order, 9 FCC Rcd 3023 (1994) ("Alaska Market Order").

“Bush Policy” which is the only remaining policy basis for the unique regulations behind CCS. Repeal of that policy, allowing unfettered facilities-based entry into the Bush, in combination with increased competitive service offerings from AT&T, would make long-term continuation of CCS entirely unnecessary.

As matters stand today, Alascom is subject to a set of regulations different from its interexchange competitors. The basis for such unusual regulation, which were the outgrowth of the Alaska Joint Board proceeding, has been eliminated by changed circumstances over the course of many years. Fundamental changes in law, regulation, and the competitive market warrant integration of Alascom into AT&T and elimination of all of these outmoded and unnecessary conditions.

Except in Alaska, AT&T provides interstate service through its own tariffs. Except for Alascom, AT&T's relationship with its domestic interexchange carrier affiliates is not regulated by the FCC. The relief requested in this petition would rationalize the treatment of Alascom and put Alascom on parity with AT&T's other IXC subsidiaries. Improved service and cost efficiencies would become available by harmonizing service in Alaska with how AT&T offers service in the rest of the nation.

Regulatory change is necessary and should be welcomed by the Commission. The particular conditions which are the subject of this petition have become outmoded by substantial changes in the Alaska market and by fundamental changes in the Communications Act and the Commission's regulation of interexchange carriers generally. These conditions have outlived any usefulness and today accomplish nothing other than imposing anticompetitive regulatory burdens on AT&T and Alascom, impeding the delivery of improved customer benefits, and burdening the Commission's resources without public benefit.

## **I. INTRODUCTION AND BACKGROUND**

The Alascom Transfer Order, FRD and Alaska Market Order necessarily relied upon market conditions and legal and regulatory requirements in place at the time each of them was

under consideration, the most recent being the Alascom Transfer Order released in August 1995. The passage of time and substantial changes have overtaken the factual underpinnings of these decisions and have undermined the justifications for them. Since August 1995, the Alaska market has grown dramatically more competitive, and AT&T and Alascom have been reclassified as “nondominant” carriers for all services (with Alascom's CCS being the single remaining “dominant” service offering). Circumstances are far different today from what prevailed the last time the Commission thoroughly examined the Alaska market in the late 1980s and early 1990s.

**A. Significant Legal and Regulatory Changes Have Occurred Since August 1995.**

At the time of the acquisition, AT&T and Alascom were both classified as “dominant” carriers, with Alascom subject to rate-of-return regulation and AT&T’s residential services subject to price cap regulation.<sup>4</sup> A few months later, in October 1995, the Commission reclassified both AT&T and Alascom as *nondominant* carriers for all of their domestic interstate interexchange services<sup>5</sup> and so reclassified AT&T and Alascom as to international services in May 1996.<sup>6</sup> As a result of nondominant classification, except for CCS, none of AT&T's or

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<sup>4</sup> However, pursuant to the Commission’s rate integration policy, Alascom charged the same rates for interstate domestic MTS and WATS services as AT&T, and had been doing so for many years. See General Communication Incorporated v. Alascom, Inc., Memorandum Opinion and Order, 2 FCC Rcd 6479 (1987).

<sup>5</sup> The only relevant exception to this reclassification was for Alascom’s provision of Common Carrier Services to the Alaska Bush. In this Petition, Alascom and AT&T propose a reduction in the regulation of CCS.

<sup>6</sup> Motion of AT&T Corp. to be Reclassified as a Non-Dominant Carrier, Order, 11 FCC Rcd 3271 (1995) (“AT&T Reclassification Order”); Order on Reconsideration, Order Denying Petition for Rulemaking, Second Order on Reconsideration in CC Docket No. 96-61, 12 FCC Rcd 20787 (1997) (“Reclassification Reconsideration Order”), and Motion of AT&T Corp. to be Declared Non-Dominant for International Service, Order, 11 FCC Rcd 17963 (1996). The Commission has expressly concluded that “AT&T/Alascom [is] within the scope of the classification of AT&T as non-dominant in the provision of interstate, domestic interexchange services.” Reclassification Reconsideration Order, p. 20804.



Alascom's interstate and international telecommunications services are subject to any price regulation, based on Commission determinations years ago that AT&T and Alascom lack market power. This reclassification did not change the rate integration requirement that Alascom's interstate domestic rates be the same as AT&T's. Section 254(g) of the Telecommunications Act of 1996 now codifies the Commission's historical rate integration policy, requiring that Alascom must charge the same rates for interstate domestic services as those charged by its parent, AT&T, for all services subject to rate averaging requirements.<sup>7</sup>

Reclassification of AT&T and Alascom rested upon the necessary determination that neither carrier has the ability to exercise market power. Those decisions have been in place for more than three years. The Commission has already found it in the public interest to forego rate regulation of all AT&T and Alascom services, with the exception of CCS. Changed circumstances now require that the Commission allow AT&T and Alascom to integrate their interstate services, free of structural separation and affiliate transaction requirements, and modification of CCS.

**B. Competition Has Expanded Dramatically in the Alaska Telecommunications Market.**

1. Competitors and Market Shares. Competition has continued to expand and develop in the United States telecommunications market as a whole. This includes, among other significant matters, the emergence of new competitors, the strengthening of existing carriers, and the continuing deployment of new technologies, facilities and products. This same trend is abundantly visible in Alaska.

Alaska has experienced dramatic growth in telecommunications competition since the last time that the Commission thoroughly considered the market. Customers for more than 90% of all Alaskan access lines have the choice of at least two interexchange carriers,

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<sup>7</sup> Policy and Rules Concerning the Interstate Interexchange Marketplace: Implementation of Section 254(g) of the Communications Act of 1934, as amended, 11 FCC Rcd 9564, 9568-9571 (1996).

General Communication, Inc. ("GCI") and Alascom. The expansion of GCI as a mature competitor, and an ubiquitous marketplace force, is beyond dispute. For example, in 1993 GCI reported that it carried approximately 369 million minutes (combined northbound, southbound and calling card) of Alaskan traffic. The same year, Alascom carried about 751 million minutes combined interstate traffic, more than twice the traffic of GCI.<sup>8</sup> If they were the only carriers in the market (which was not the case), then GCI held approximately 33% of the market and Alascom held the other 67%.

By 1995, the last year in which Alascom was considered a "dominant" carrier for most interstate services, GCI carried almost 458 million minutes, a jump of nearly 25% as compared to 1993. In 1995, Alascom carried about 855 million minutes, and thus GCI's interstate traffic *growth* rate percentage was close to twice that of Alascom during the period of 1993 to 1995.<sup>9</sup>

These growth trends significantly increased GCI's market share while Alascom's share declined. Between 1993 and 1997, GCI's traffic increased 66.39% while during the same period Alascom's traffic increased by a mere 0.93%. By 1997 GCI's traffic share increased to 44.75%, which represents a 35.6% increase over its 1993 share of 33%. In comparison, Alascom's share declined from 67% in 1993 to 55.24% in 1997 (a 17.55% decrease).

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<sup>8</sup> Attachment A hereto sets forth a compilation of the raw, publicly available traffic data reported by GCI to the Security and Exchange Commission ("SEC") used throughout this section. Traffic volumes for GCI are from GCI's 1994, 1997 and 1998 SEC Form 10-K filings, and AT&T Alascom data are from the 1999 Common Carrier Services, Description and Justification, Transmittal No. 1088, November 24, 1999 ("1999 CCS D&J"). Although many carriers provide service to and from Alaska, GCI and Alascom are the only ones that publicly reported traffic data specific for Alaska operations.

<sup>9</sup> Continuing its gains in interstate traffic growth, in 1996 GCI reported more than 562 million minutes, in excess of 22% more than in 1995. In 1997, GCI reported more than 614 million minutes, or a growth of about 9% as compared to 1996. During the same period of time, Alascom's interstate traffic declined in 1996 to about 752 million minutes, about 12% less than in 1995, and remained steady in 1997 with 758 million (an increase over 1996 of less than 1%).

In 1998, the most recent complete year for which public data are available, interstate traffic and market shares between GCI and Alascom were:

**1998 Domestic Interstate Traffic (includes calling card traffic)**

GCI	647,134,000 (45.5%)	(647,134,000 minutes as reported in GCI's 1998 10-K)
Alascom	776,469,000 (54.5%)	(776,469,000 minutes as reported in the 1999 CCS D&J)

As shown above, in the interstate market, GCI's traffic share has drawn to within 9 share points of Alascom. In fact, as a comparison, in 1995 when AT&T was granted nondominance by the FCC, AT&T's relative market share was higher than that retained by Alascom as shown above.<sup>10</sup>

GCI's market growth appears to be accelerating. GCI's Third Quarter 1999 Financial Results reported a 25.7% increase in revenues during the third quarter of 1999, as compared to 1998. GCI's third quarter revenues increased 4.8% over its second quarter revenues after adjustment for a \$19.5 million fiber optic capacity sale which took place during the second quarter of 1999. GCI also reported that its local exchange service in Anchorage had grown to 41,000 access lines, approximately 24% of the market.

Moreover, GCI is also strongly positioned in the Internet and cable television markets.<sup>11</sup> In 1996, GCI acquired Prime Cable of Alaska, Alaska Cablevision and Alaska Cable Network, providing GCI direct access to more than 70% of Alaska households through these systems. Today, GCI offers high speed Internet service (marketed as "Hypernet") on these cable facilities, as well as traditional cable television and digital television services.

<sup>10</sup> AT&T Reclassification Order, 11 FCC Rcd at 3307. AT&T's market share in terms of minutes was 58.6 percent.

<sup>11</sup> In addition, GCI is a personal communication service ("PCS") licensee in Alaska, making it a player in the exploding field of wireless communications services.

GCI has bundled Internet and interexchange services, offering “free” residential and business Internet access to customers taking certain of its long distance calling plans.<sup>12</sup> GCI’s Third Quarter 1999 Financial Results state that its Internet platform provided access services to 39,000 subscriber accounts, making GCI the leading Internet service provider in the state by a substantial margin.

In short, there can be little doubt that competition in Alaska has grown markedly since 1995, with GCI approaching Alascom in interstate traffic, and offering a wider array of services than any other purveyor of local, long distance, Internet and cable services operating in Alaska. GCI has gained tremendous absolute market share while Alascom’s has declined steadily.

Although the above facts offer a reasonable trend analysis of the market, they do not provide an indication of the broad competition from other carriers. If the existence of these competitors were also taken into account, GCI and Alascom market shares would be diluted. However, many of these competitors do not report Alaska operations separately, although it is well known that significant facilities and non-facilities-based carriers carry traffic to and from Alaska, including Sprint and MCI WorldCom. Substantial Alaska-based interexchange competitors have started the provision of service since 1995.

Significant new Alaska interexchange competitors since 1995 include the Matanuska Telephone Association (“MTA”), Alaska Network Systems (“ANS”) and the Anchorage Telephone Utility (“ATU”). Of the Alaskan LECs which have entered the long distance market, ATU represents more than 170,000 access lines (more than 40% of all Alaskan access lines) and MTA represents 52,716 access lines (approximately 12.5% of all Alaskan access lines).<sup>13</sup> It is beyond doubt that MTA and ATU have the established customer bases to be significant interexchange competitors.<sup>14</sup>

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<sup>12</sup> See Exhibit 1 attached.

<sup>13</sup> Line count estimates from [www.ATU.com](http://www.ATU.com) for ATU and from the 1999-2000 Alaska Telephone Association Directory for MTA.

<sup>14</sup> In 1999, the parties consummated the sale of ATU to a private entity known as Alaska

In the Anchorage market, which concentrates nearly half of the state's access lines, Alascom currently accounts for about 31% of that market's intrastate toll usage as of December 1999.<sup>15</sup> Although Alascom is unable to offer a direct measure of its interstate market share for Anchorage, it is reasonable to assume that intrastate toll is comparable to interstate toll for market share analysis purposes. This means that other carriers now represent approximately 69% of toll traffic in Anchorage which, as noted above, accounts for almost half of the state's lines.

2. Fiber Optic Cable Systems. When the Commission released the Alascom Transfer Order, Alascom owned and controlled 89% (8 of 9 DS-3s) of the fiber optic capacity of the Alaska Spur, which had been the only fiber optic cable connecting Alaska with the lower 48 states. GCI owned the other DS-3. With the deployment of competitors' facilities, Alascom now owns less than 10% of the cables connecting Alaska to the lower 48 states.

In early 1999, GCI placed its new Alaska United fiber optic cable into service, directly interconnecting Anchorage, Fairbanks, Juneau and Whittier, Alaska with Seattle, Washington and the rest of the world. This established a new, separate fiber optic facility between Alaska and the lower 48 states, and, for the first time, direct fiber optic connections to a number of

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Communications Systems, Inc. ("ACS"). ACS also has control of the local exchange companies serving Juneau and Fairbanks. This consolidates approximately 70% of Alaska's access lines combined under the ACS ownership. Most of those access lines are in Alaska's urban centers. In addition, ACS owns MacTel, the state's largest wireless provider, ATU-LD, a substantial interstate and intrastate, interexchange competitor, and PTINet, an Alaska statewide Internet service provider. In June 1999, ACS acquired substantial capacity in the GCI long-haul fiber optic cable system interconnecting various locations in Alaska with the lower 48 states. ACS' position in Alaska's local telephone industry coupled with its numerous other telecommunications businesses and interexchange fiber facilities establish ACS as a major and powerful presence in Alaska's interexchange business, new since 1995.

<sup>15</sup> Alascom intrastate market share data for Anchorage is obtained from the December 1999 intrastate access bills that it receives from the facilities-based local exchange carriers serving Anchorage, *i.e.*, ATU and GCI. Pursuant to Section 104(s) of the Alaska Intrastate Interexchange Access Charge Manual, each LEC must identify the market share of each interexchange carrier and the amount billed to each such carrier in a Monthly Carrier Common Line Report and practice has been that this information is displayed on each IXC's intrastate access bill.

Alaskan locations, including to Juneau, the state capitol.<sup>16</sup> GCI has announced substantial capacity sales or leases on this new system, including to Alascom and to ACS.

WCI Cable, Inc. has completed the construction of another undersea cable that went into commercial operation in late 1999. WCI's cable, like GCI's, operates under a private license and will interconnect Anchorage and Juneau to the lower 48 states. WCI's principal shareholder is a subsidiary of a \$100 billion international financial services company. WCI's cable represents a third fiber optic system interconnecting Alaska and the world. The new GCI and WCI fiber optic cables will increase uncompressed fiber capacity between Alaska and the rest of the world from the 9 DS-3s on the Alaska Spur to 105 DS-3s, or by a multiple of more than eleven times. With the turn up of WCI's cable, Alascom's ownership of Alaska-lower 48 fiber capacity has dropped to less than 10%, whereas in 1995, Alascom had owned nearly 90% of such capacity.

In addition to the GCI and WCI cables described above, there has been substantial new development of fiber optic capacity since 1995 within Alaska. Fiber optic cable systems have been built by Alaska Fiberstar ("AFS"), which is part of the WCI system, and KANAS, Inc., a consortium of Alaska Native Corporations, and MFS, Inc. The AFS facility connects Anchorage and Fairbanks, two major cities in Alaska, as well as Eagle River, Wasilla, Talkeetna, Cantwell, Healy, Clear, and Neana, and through WCI, provides direct interconnection among these Alaska locations, Seattle, Washington and Portland, Oregon. The KANAS facility runs along the 800-mile TransAlaska Pipeline connecting Valdez in the south with Prudhoe Bay in the north and providing interconnection at numerous places along that route. Both of these projects are examples of fiber optic deployment entirely new since 1995, and AFS and KANAS are additional examples of substantial new competitors in Alaska.<sup>17</sup>

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<sup>16</sup> For further details about GCI's new undersea fiber optic cable, please refer to [www.alaskaunited.com](http://www.alaskaunited.com).

<sup>17</sup> Alascom generally has been supportive of all of these projects and, in the case of AFS, filed comments on February 6, 1998 in Docket U-98-14 with the Alaska Public Utilities Commission ("APUC") supporting its request for an in-state certificate of public convenience and necessity.

3. Satellite Facilities. At the time of the Alascom Transfer Order, GCI was restricted by the APUC under Alaska law, and by the FCC's historical "Bush Policy,"<sup>18</sup> from building satellite earth stations to provide MTS and WATS services in Alaska Bush locations. However, in early 1996, GCI obtained authority, by waiver, to deploy competing satellite earth stations to serve approximately 56 Bush locations.<sup>19</sup> In 1996, prior to GCI's deployment of its own earth stations to Bush communities, Alascom's CCS demand data showed that these 56 locations accounted for approximately 74% of all interstate traffic originating from satellite earth stations in the Bush and 63% of all satellite-served Bush-originating intrastate traffic. Since the grant of this waiver, GCI has petitioned both the APUC and the Commission to eliminate the Bush facilities restriction completely.

Alascom supports fair and open competition in the Bush (and elsewhere), including GCI's rights to compete. Alascom asks that the Commission promptly repeal the Bush Policy and simultaneously free Alascom of unnecessary regulation related to the Bush. Alascom states expressly and unequivocally that it withdraws any past claims under the Commission's historical "Bush Policy" and relinquishes any vestigial rights it may have in any policies restricting facilities construction in the Bush. Alascom believes that such policies have outlived their usefulness and urges the Commission to free competitors to serve Bush locations.<sup>20</sup>

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<sup>18</sup> Historically, the FCC has prohibited the construction of satellite earth station facilities for the provision of MTS services in competition with Alascom in Bush locations of Alaska. Generally speaking, Bush locations are rural communities in Alaska with populations of 1,000 persons, or fewer, isolated from larger communities. See Policies and Rules Governing the Ownership and Operation of Domestic Satellite Earth Stations in Bush Communities in Alaska, 92 F.C.C.2d 736 (1982), aff'd 96 F.C.C.2d 522 (1984). Competition in the Bush through the resale of Alascom's services has been in place since approximately 1982. MTS and WATS Market Structure Inquiry, 92 F.C.C.2d 787 (1982).

<sup>19</sup> See Petition of General Communication, Inc. for a Partial Waiver of the Bush Earth Station Policy, 11 FCC Rcd 2535 (1996); APUC, U-95-38, Order No. 10, January 26, 1996.

<sup>20</sup> Alascom has taken the position before the APUC that state restrictions on Bush facilities embodied in 3 AAC 52.355 may not be enforced legally because they have been preempted by Section 253 of the Communications Act. See e.g., AT&T Alascom's Brief on the Effect of Section 253 of the 1996 Act on the Facilities Restriction in 3 ACC 52.355, APUC Docket

At the same time, AT&T has a strong commitment to serve Alaska. In November 1998, AT&T entered into an agreement to replace the Aurora II satellite in order to assure service to Alaska, including the Bush, well into the 21<sup>st</sup> Century. A satellite application was filed with the Commission on June 1, 1999 for authority to replace the Aurora II satellite and that replacement is currently under construction. Alascom would be a joint licensee of that satellite. AT&T contemplates that the replacement satellite will be launched shortly before or during the first quarter of 2001, and is anticipated to be in service several months before Aurora II's expected end-of-life. The replacement satellite is projected to have a useful life of approximately fifteen years and will be engineered and located so as to provide Alaska service. AT&T's and Alascom's capital expenditures for space and ground segment of Aurora III are projected to be approximately \$144 million, with operating expenses of \$8 million per year in addition to the capital expenditure. AT&T thus continues to honor its commitments to make the investments necessary to ensure the continuation of universal service to isolated Bush communities. See Alascom Transfer Order, pp. 743, 748.

Although AT&T has taken the steps necessary to ensure the continuity of satellite service to Alaska, other satellites also provide service coverage to Alaska, separate from Alascom. For example, in January 2000, Galaxy-10 was launched, a satellite that provides GCI with both C-band and Ku-band capacity. Generally speaking, all geostationary satellites located west of 119 degrees west longitude have the capability to serve Alaska. Presently, the domestic satellites permanently in these positions include: Galaxy-9, Galaxy-5, Satcom C-3, Galaxy 1R, Satcom C-4, Satcom C-1, and Aurora II (also known as Satcom C-5). Certain international satellites could provide service to Alaska, at least in part, and most or all non-geostationary satellite systems which offer world-wide coverage also provide the potential for service to Alaska. Therefore, there are numerous alternative satellite facilities potentially available to entities which seek to compete in Alaska.



As more fully described below, fundamental market and legal changes render the regulatory conditions placed upon Alascom entirely unnecessary and, indeed, inhibit Alascom's ability to offer products and services in Alaska on the same basis as AT&T offers elsewhere. The public interest requires that these conditions be eliminated so that consumers may benefit from improved services and support.

**II. THE COMMISSION SHOULD RELIEVE AT&T AND ALASCOM OF THE SEPARATE CORPORATION AND AFFILIATE TRANSACTION REQUIREMENTS SO THAT THEY MAY IMPROVE CUSTOMER SERVICES AND SUPPORT.**

Alascom as a company, and Alaska telecommunications, developed differently from the domestic telecommunications system as a whole. The overriding purpose of this petition is for AT&T to obtain authority from the Commission to provide telecommunications services in Alaska in the same manner as it does in the other 49 states, and subject to no more regulation.

Reduced regulation of AT&T and Alascom will promote improved services and support. There are a number of service offerings available from AT&T in the lower 48 states which are not currently offered in Alaska. Although there are certain services for which there is little demand in Alaska, Alascom is convinced that ready availability of some AT&T products would be efficient and accepted in the Alaska market. However, the costs and barriers required by regulation have tended to impede the provision of these products. With the elimination of the unnecessary regulatory conditions that currently encumber the AT&T-Alascom relationship, AT&T would be in a better position over time to offer the full range of its services in Alaska. To effectuate customer benefits, artificial corporate barriers must be eliminated. Accordingly, the Commission should clear the way for improved consumer benefits by authorizing the modest reductions in regulation, as follows.

**A. Integration of Alascom into AT&T and Consolidation of Tariffs**

As a condition of the transfer of control of Alascom, AT&T agreed that it would continue

to operate Alascom as a separate corporation under AT&T.<sup>21</sup> This requirement was imposed without thorough consideration, but was based directly upon the premise that "dominant" carriers should be subject to stringent oversight to deter unlawful discrimination, include structural separation. Alascom Transfer Order, pp. 755-758. Even so, the Commission contemplated subsequent review of this requirement under Section 214 of the Communications Act.<sup>22</sup> Such review is long overdue.

The Alaska marketplace has grown substantially and AT&T is nondominant. Any necessity for the separate corporation requirement has passed. This requirement imposes unwarranted burdens on AT&T. It inhibits the efficient distribution of customer services and support in Alaska, forcing AT&T to observe administrative structures for the Alaska service different from its operations in the other states.

The Commission currently requires Alascom to maintain FCC tariffs separate from those of AT&T, even though the Alascom tariffs are equivalent to the AT&T tariffs for the services offered. Rate integration mandates that most customer rates in Alascom's interstate tariffs be identical to those of AT&T. Such duplication of tariffs burdens AT&T unnecessarily and consumes the Commission's resources without need.

Separate tariffs retard the ability of AT&T to offer 50 state services and sales to larger customers. Large customers are forced to deal with two carriers and sales organizations, even though they are commonly owned. AT&T's competitors do not suffer from such an artificial barrier.<sup>23</sup>

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<sup>21</sup> Application for Transfer of Control of Alascom, Inc. from Pacific Telecom, Inc. to AT&T Corporation, filed jointly by Alascom, Pacific and AT&T on December 15, 1994 ("Application"), Appendix B, at 8. Alascom Transfer Order, p. 741.

<sup>22</sup> Alascom Transfer Order, pp. 755-756.

<sup>23</sup> In 1999 alone, Alascom filed and maintained nine FCC tariffs, forcing the payment of \$54,810 in FCC filing fees. Virtually all Alascom tariff materials mimic the rates and terms contained in AT&T's tariffs. Such duplication has no benefit to AT&T or to its customers; it merely runs up the expense of regulation and it forces FCC staff to oversee wholly repetitive material.

For example, AT&T serves approximately 100 national customers with significant business interests in Alaska, including large retailers, hotels, delivery services and consumers of frame relay service. Such customers have requested single provider support, which AT&T is not able to offer for Alaska, but which it is able to provide seamlessly for the other 49 states. Artificial differences in billing and customer care functions retard AT&T's competitiveness and diminish the provision of service in Alaska.

Under the current outdated structure, artificial corporate barriers and separate FCC tariffs force large customers to buy nationwide services from AT&T and Alascom separately and limit account service options. This causes customer confusion and clearly has no public interest benefit. The separate subsidiary requirement also has restricted the provision of certain AT&T customer service options in Alaska, such as in-language customer service and large print billing. AT&T's competitors labor under no such structural separation restrictions.

Historically, separate subsidiary requirements have been imposed on carriers that have the potential to act anticompetitively and for whom the costs that would be incurred in complying with this form of regulation would be exceeded by the benefits gained from protecting competition and ratepayers.<sup>24</sup> AT&T and Alascom are nondominant carriers lacking market power, so there is no justification for separate subsidiary requirements.

Since 1995 Alascom has been doing business in Alaska as "AT&T Alascom." Elimination of an arbitrary internal corporate barrier should not cause confusion to Alaskan customers because they are already accustomed to the AT&T name and logo. Harmonizing AT&T's provision of services in Alaska with its operations elsewhere is unobjectionable.

#### **B. The Affiliate Transaction Rules**

As matters now stand, AT&T and its wholly-owned subsidiary Alascom, are the only nondominant domestic interstate interexchange carriers which the Commission requires to

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<sup>24</sup> See Furnishing of Customer Premises Equipment and Enhanced Services by American Telephone & Telegraph Company, 102 F.C.C.2d 655, 658 (1985).

observe the affiliate transaction rules as to transactions amongst themselves. The Commission's affiliate transaction rules, adopted more than a decade ago, specifically require elaborate and detailed accounting treatments applied to transactions between dominant carriers and their nonregulated affiliates.<sup>25</sup> These rules were developed early in the history of long distance competition when AT&T was considered to have "market power" and therefore classified as a dominant carrier subject to rate-of-return regulation. Competition then was far more fledgling than it is today. The affiliate transaction rules were applied reflexively to AT&T's transactions with Alascom in the Alascom Transfer Order at a time when both carriers were rate regulated, solely because both carriers were classified as dominant. See Alascom Transfer Order, pp. 755-756. The record underlying the Alascom Transfer Order is long out-of-date.

The stated purpose of the affiliate transaction rules is to "ensure that ratepayers in the interstate jurisdiction pay telephone rates that are just and reasonable" which "requires guarding against cross-subsidy of nonregulated ventures by regulated services."<sup>26</sup> The affiliate transaction rules were designed to deter *rate regulated* carriers with market power, able to raise rates with impunity, from raising "noncompetitive" rates to "captive" customers in order to subsidize the costs of their "competitive" nonregulated activities.

Simple recitation of the considerations underlying the affiliate transaction rules establishes that AT&T and Alascom should no longer be subject to them. They are not rate regulated for good reason. The Commission years ago determined that AT&T and Alascom cannot exercise "market power," *i.e.* they cannot raise rates to "captive" customers to subsidize "competitive" lines of business. They have no "captive" customers. Nationally, all of AT&T's

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<sup>25</sup> 47 C.F.R. 32.27.

<sup>26</sup> Separation of Costs of Regulated Telephone Service from Costs of Nonregulated Activities, 2 FCC Rcd 1298, ¶ 33 (citations omitted) ("Joint Cost Order"); see also id., ¶ 37 ("We reaffirm that protecting ratepayers from unjust and unreasonable interstate rates is the primary purpose behind the accounting separation of regulated from nonregulated activities, just as it is the purpose behind all of our accounting and cost allocation rules.")

and Alascom's interexchange business is highly competitive and customers are free to switch carriers at any time. Alascom proposes to make this reality for Bush locations. See *Infra* for a discussion of the CCS tariff.

Elimination of the affiliate transaction rules is clearly warranted. For more than four years, both AT&T and Alascom have been *nondominant* carriers. *Supra*. Fundamentally, that reclassification to nondominant status rests upon the Commission's proper determination that AT&T and Alascom lack the "market power" necessary to dictate market prices.<sup>27</sup> The Commission long ago concluded that neither carrier has the ability to raise rates with impunity, whether to "subsidize" "nonregulated" activities, or otherwise. Even the notion of anticompetitive cost-shifting between Alascom and AT&T is not sustainable. Indeed, as nondominant carriers, AT&T and Alascom (except for CCS) are entirely free to adjust their rates based on market conditions. The broad expansion of competition in Alaska since 1995 precludes Alascom from recovering any supra-competitive rates.

As if established economics were not enough, the Section 254(g) codification of the rate integration policy statutorily prohibits Alascom from making interstate rate increases for most services, based upon "cost shifting" or otherwise. This statute evaporates any basis for the application of the affiliate transaction rules. By statute, most of Alascom's interstate domestic customer rates must match those of AT&T. By law, Alascom cannot alter customer rates for these services due to internal cost allocations, affiliate generated or otherwise. Alascom must follow AT&T's nationwide rate pattern. See *Infra* for a discussion of the CCS tariff.

The burdens imposed by the affiliate transaction rules on AT&T and Alascom are unwarranted in light of these facts. Those rules require the maintenance of books and records, and the allocation of personnel resources not required of competing interexchange carriers, placing AT&T at a distinct disadvantage in comparison to its competitors. For example, the

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<sup>27</sup> Hyperion Telecommunications, Inc., 8 CR 730, 737 (1997), *relying on*, Tariff Filing Requirements of Nondominant Common Carriers, 8 FCC Rcd 6752, 6756 (1993), *vacated on other grounds*, Southwestern Bell Corp. v. FCC, 43 F3d 1515 (DC Cir. 1995), *on remand*, Tariff Filing Requirements of Nondominant Common Carriers, 10 FCC Rcd 13653 (1995).

affiliate transaction rules require AT&T to track and report business support functions and costs provided between business units for MTS, private line and frame relay services and to establish separate organizational codes to track costs for employees who move among different business units. They complicate the movement or transfer of assets among business units and interfere with the provision of support services across "corporate lines," such as network, finance and product support. All of this interference leads to unnecessary cost, inefficiency and is illogical, given that both AT&T and Alascom are nondominant and hardly any carriers other than AT&T purchase from the CCS tariff.

The Commission should act promptly to free AT&T and Alascom from these outmoded corporate restrictions. There would be no need to refer any of the relief sought here to a federal-state joint board. Section 410(c) of the Communications Act requires the Commission to seek a recommendation from a joint board in the event it seeks to change jurisdictional separations procedures. By contrast, the conditions to be eliminated here are corporate in nature, having no relationship to Part 36 of the Commission's Rules, or otherwise affecting jurisdictional cost considerations.

### **III. REDUCED REGULATION OF CCS IS ENTIRELY WARRANTED.**

After more than ten years of proceedings in CC Docket No. 83-1376, in October 1993, the Alaska Joint Board provided its recommendations to the Commission for restructuring the Alaska telecommunications market in its FRD. The Commission adopted those recommendations, subject to modifications and clarifications, in its May 1994 Alaska Market Order. CCS and its underlying procedures were established in those decisions.

The Alaska Joint Board and the Commission recognized that Alascom held a *de jure* monopoly for earth station facilities providing MTS and WATS (*i.e.* public switched services) to and from Alaska Bush locations. Although Bush competition by resale of Alascom's services and facilities had been in place since approximately 1982, the Commission was concerned that Alascom (then a dominant carrier) would inhibit competing carriers' service to the Bush by

improperly loading costs onto the Bush service, in effect subsidizing the competitive locations where facilities-based competition was permitted.<sup>28</sup>

For many years prior to the FRD, Alascom and AT&T were separate companies jointly providing interstate service to Alaska. The FRD recommended termination of that joint service and anticipated the entry of AT&T into Alaska to compete against Alascom and all other carriers. Thus, the Commission ordered that Alascom establish CCS as a carrier-to-carrier service, based upon Alascom's "stand alone" costs, by which AT&T and other competing carriers could obtain switching and transport services from Alascom to reach all Bush and non-Bush locations. In order to mitigate potential harm from immediate termination of the joint service, the Commission required AT&T to provide a total of \$150 million to Alascom to write down its revenue requirements and to purchase declining amounts of CCS service during a 2½ year transition period, ending in mid-1998.<sup>29</sup>

In the interests of overseeing CCS ratemaking, the Joint Board recommended, and the Commission ordered, that Alascom base CCS rates on a unique Cost Allocation Plan ("CAP"). The CAP requires Alascom to disaggregate all of its costs by location, which has resulted in more than 900 separate cost points. No other carrier has ever been forced to provide a service based upon stand-alone, location-specific costs. Alascom is required to offer three different CCS rate elements: transport, switching, and Alaska-lower 48 transport, separately within each of two different geographic rate zones, non-Bush and Bush.

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<sup>28</sup> FRD, p. 2206.

<sup>29</sup> Alaska Market Order, pp. 3023-3024, 3026, 3027, 3032; FRD, pp. 2211, 2216, 2217.

CCS has been a significant burden on the resources of Alascom and the Commission.<sup>30</sup> Alascom's original CAP was rejected by the Commission. Alascom resubmitted the CAP, which was approved, and then approved again on reconsideration, requiring three separate pleading cycles and Commission decisions.

Subsequently, in 1995 Alascom filed its Tariff FCC No. 11 under which it provides CCS. GCI protested Tariff No. 11. The Commission allowed it to go into effect, subject to an accounting order and an investigation. That investigation is still pending to this day, after preliminarily generating seven Commission orders, dozens of party submissions, informal meetings among the parties and the Commission's staff.<sup>31</sup> In short, CCS has been a regulatory jungle.

The Commission's regime for CCS was based upon legal and market conditions prevailing in the late 1980s and early 1990s. At that time, AT&T and Alascom were dominant carriers and AT&T was expected to compete in Alaska against Alascom. AT&T was required to take CCS service from Alascom for a minimum period of time, and the Commission considered

<sup>30</sup> Commission decisions concerning the CAP include: In the Matter of Alascom, Inc., Cost Allocation Plan for the Separation of Bush and Non-Bush Costs, 10 FCC Rcd 4963 (1995); In the Matter of Alascom, Inc., Cost Allocation Plan for the Separation of Bush and Non-Bush Costs, 10 FCC Rcd 9823 (1995); In the Matter of Alascom, Inc., Cost Allocation Plan for the Separation of Bush and Non-Bush Costs, 12 FCC Rcd 1991 (1997). Each of those decisions rested upon numerous submissions by interested parties.

<sup>31</sup> See In the Matter of Alascom, Inc. Tariff F.C.C. No. 11, Transmittal No. 790, CC Docket No. 95-182, 11 FCC Rcd 3703 (1995); In the Matter of Alascom Revisions to Tariff F.C.C. No. 11, CC Docket No. 95-182, 11 FCC Rcd 10833 (1996); In the Matter of Alascom, Inc., Interstate Transport and Switching Services, Alascom Revisions to Tariff F.C.C. No. 11, CC Docket No. 95-182, Transmittal No. 852, 12 FCC Rcd 1991 (1997); In the Matter of Alascom, Inc., Interstate Transport and Switching Services, Alascom Revisions to Tariff F.C.C. No. 11, CC Docket No. 95-182, Transmittal No. 921, 13 FCC Rcd 187 (1997); In the Matter of Alascom, Inc., Interstate Transport and Switching Services, Alascom Revisions to Tariff F.C.C. No. 11, CC Docket No. 95-182, Transmittal Nos. 921, 937, 941, and 942, 13 FCC Rcd 4659 (1998); In the Matter of Alascom, Inc., Interstate Transport and Switching Services, Alascom Revisions to Tariff F.C.C. No. 11, CC Docket No. 95-182, Transmittal No. 993, 13 FCC Rcd 25055 (1998); In the Matter of Alascom, Inc., Interstate Transport and Switching Services, Alascom Revisions to Tariff F.C.C. No. 11, CC Docket No. 95-182, Transmittal No. 1088, DA 99-2971 (Dec. 28, 1999).



it necessary to protect all competitors against the possibility that Alascom might cross-subsidize its competitive non-Bush services by improperly loading costs onto the Bush services where it held a *de jure* monopoly. Every one of those concerns has been overtaken by time and changed circumstances.

Most notably, Alascom relinquishes any rights under the old "Bush Policy." *Supra*. AT&T and Alascom specifically request that the Commission end this historical *de jure* monopoly. Termination of the Bush policy clears the way to placing the Alaska Bush interexchange service on the same competitive footing as prevails elsewhere throughout the United States. There would be no remaining policy reason to treat the Bush differently.

Interexchange competition is an established fact for much of the Alaska Bush. Due to its successful waiver requests, GCI competes directly in more than 50 Bush locations which represent approximately 74% of all originating interstate traffic carried by satellite and 63% of all originating intrastate traffic carried by satellite. *Supra*. In effect, the Bush "monopoly" already has been broken. The Commission should reduce regulatory burdens in an effort to catch up to this reality.

AT&T is the only substantial "customer" of Alascom's CCS service. As more fully detailed in Attachments B through E hereto, use of CCS by carriers other than AT&T is *de minimis*. In the non-Bush geographic rate zone, AT&T was responsible for more than 99% of all traffic, which means that AT&T's competitors relied almost exclusively on services other than Alascom's CCS tariff to reach their customers. *See* Attachment B. In 1999, in the Bush geographic rate zone, AT&T accounted for more than 84% of all CCS traffic. *See* Attachment C. This demonstrates that even in the Bush, AT&T's competitors are overwhelmingly relying on services other than CCS.

Within the CCS service, the Bush rate zone is minor. In 1999, the Bush component of the tariff represented 17% of all CCS traffic. *See* Attachment D. Thus, taking both Bush and non-Bush locations into account on a consolidated basis, AT&T's use accounted for approximately 97% of total CCS traffic and revenues. *See* Attachment E.

What this confirms is that other carriers have little need of CCS now and AT&T's competitors generally avoid the expensive Alascom CCS service. As described above, significant new facilities offer alternatives to substantial portions of Alascom's network. Various service options have been used by carriers to avoid CCS, including services of GCI and others, and Alascom's CustomNet, which is based on integrated rates. Competing carriers would have even more alternatives to CCS over time as an integrated AT&T increases its range of services in Alaska. Moreover, Alascom has proposed here that all interested parties be entirely free to deploy their own satellite facilities anywhere in Alaska upon repeal of the Bush Policy, subject only to ordinary Commission procedures.

For these reasons, CCS makes no sense. It has become little more than an intra-corporate settlement device between AT&T and Alascom, one which is extremely burdensome and expensive. Due to its complexity and unusual nature, CCS billing costs are staggering, as compared to the service's economic value. For example, AT&T's outside billing vendor support for CCS billing in 1999 was approximately \$1.1 million. Internally, AT&T estimates that about \$400,000 in resources were devoted to CCS billing in 1999.

CCS is burdensome in many other respects, in addition to the costs of billing. Such costs include administration, maintenance of the CAP, separate tariffing and related cost-support obligations, switching and customer service, all of which are complicated by the irregular and complex nature of the service. CCS is the only service of its kind offered by AT&T, which means that billing and provisioning are highly time and resource intensive because they must be accomplished by unique methods. New or modified provisioning frequently requires special switching arrangements and customized switch programming. The annual tariff revisions have required intense efforts to properly develop unique rate formulas based upon essentially obsolete rate-of-return methodologies. Usually, several weeks of effort are required to produce each annual filing. In addition, the controversies and litigation which have swirled around the CAP and CCS have been a drain on Commission and Alascom resources. Maintenance of this entire tariff scheme, which is essentially superfluous to external customers and predominantly used by

AT&T's to purchase Alascom's CCS service, is absurd.

The Joint Board and the Commission directed the establishment of CCS as a political compromise, in part to accommodate AT&T competition against Alascom, and to transition Alascom away from its joint service arrangement with AT&T. AT&T's acquisition of Alascom in 1995 (approximately two years after the FRD) ended such considerations. Moreover, the Joint Board and the Commission contemplated that AT&T would have no further CCS obligations by mid-1998. That transition period expired almost two years ago.

In the following section, AT&T outlines how the CCS tariff should be modified for a two-year transition period and then eliminated to conform to the realities of the market.

#### **IV. THE COMMISSION SHOULD TAKE SPECIFIC ACTIONS TO IMPLEMENT THE RELIEF SOUGHT IN THIS PETITION.**

Elimination of the unnecessary regulatory conditions regarding structural separation, affiliate transaction obligations and the CCS tariff are long overdue. AT&T offers the following proposal to reduce regulation of Alascom's Bush services immediately and to move toward eventual elimination of CCS in favor of more efficient and competitive offerings.

(1) The Commission should terminate the historical Bush Policy immediately. Applications for satellite earth stations in Alaska would become subject to the same Commission regulations and processing as for all other domestic locations.

(2) Simultaneous with its immediate termination of the Bush Policy, the Commission should eliminate the separate corporation and affiliate transaction obligations currently imposed on AT&T and Alascom, allowing AT&T to fully integrate its Alaska operations, with the exception that temporarily Alascom's Tariff FCC No. 11 would remain available, as described below. At the same time, AT&T would maintain (and over time expand) the services by which interested carriers could access Bush and non-Bush LECs without reliance on CCS. Such services would be far more efficient and cost-competitive than CCS.

(3) Simultaneously, the Commission should authorize substantial streamlining of CCS under Alascom's Tariff No. 11. CCS rates would be capped at their current levels, with no

increases permitted in the future. With the capping of CCS rates, the Alascom cost allocation process, including maintenance of the CAP, would be eliminated and the tariff itself would no longer be subject to cost support requirements under Section 61.38 of the Commission's Rules. Alascom should not have to observe required annual filing requirements given this commitment.

(4) AT&T would agree to maintain CCS as an offering subject to this reduced regulation for a transition period of two years from the date that the Commission authorizes these changes so that the other carriers that purchase under that tariff could make alternative arrangements.

(5) During the two-year transition period, Alascom would report to the Commission every six months the levels of traffic it carries for other carriers under CCS. This would permit the Commission and interested parties to monitor competitive offerings, especially in connection with Bush interexchange services. Alascom would, of course, provide this information based on aggregate traffic data so that competitors would not gain inappropriate knowledge about the each others' operations.

These proposals would be without prejudice to the pending investigation of Tariff No. 11. The issues there would remain before the Commission. Parties to that investigation could have no credible objection to prospective CCS rate reductions and the provision of more efficient alternative services. While AT&T is confident that CCS services have been provided in accord with the obligations imposed by the Commission, adverse parties to the investigation are protected fully by the procedures which have been incorporated, including an accounting order. In short, these proposals would benefit consumers in general, and competing carriers in particular, with no prospect of harm. Provision of new services in Alaska would be based upon the efficiencies made available by the integration of Alascom into AT&T, representing a significant competitive improvement and public interest gain.

Finally, AT&T requests a waiver of the Commission's carrier selection rules<sup>32</sup> and, to the extent required, of the Section 214 discontinuance rules,<sup>33</sup> so that it may transfer Alascom's subscribers (other than CCS subscribers) to AT&T without obtaining each subscriber's specific authorization and verification and without sending notices of discontinuance. Waiver of the Commission's rules is appropriate if special circumstances warrant a deviation from the general rule and the public interest would be served by grant of a waiver.<sup>34</sup> As indicated above, virtually all Alascom customers (with the possible exception of certain business customers) are receiving their interstate services pursuant to Alascom tariffs that are equivalent to AT&T's interstate tariffs and since 1995, all Alascom customers have been billed for telecommunications services provided by "AT&T Alascom."<sup>35</sup> Thus, customers already perceive that they are being served by AT&T and resoliciting them to switch their preferred carrier to AT&T or sending them a notice of discontinuance when there will be no interruption of service would only be confusing to them. AT&T would, of course, absorb any carrier change charge that may be assessed by the local exchange carrier in switching Alascom customers to AT&T's carrier identification code. AT&T would further notify all customers in the welcome package of the regulatory changes that now permits them to be served directly by AT&T. As always, customers would have the option to switch to another IXC should they desire to do so. Grant of this waiver is in the public interest because it would permit AT&T to transition customers seamlessly to its offerings without creating unnecessary customer confusion and administrative expense.

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<sup>32</sup> 47 C.F.R. 64.1100 - 64.1190.

<sup>33</sup> 47 C.F.R. 63.71.

<sup>34</sup> WAIT Radio v. FCC, 418 F.2d 1153, 1159 (D.C. Cir. 1969).

<sup>35</sup> To the extent that any customer may be served under an Alascom tariff that is not identical to one offered by AT&T, Alascom and AT&T would coordinate with that customer to ensure that it is offered service with the same or better rates as those obtained under Alascom's tariffs.

The CCS tariff will not be discontinued for a period of two years after the grant of the instant Petition. Since Alascom has only two customers other than AT&T under the CCS tariff, both of whom will be aware of the filing of this petition, AT&T asks that the instant petition be deemed to comply with the Section 214 discontinuance requirements. AT&T will, of course, notify each CCS customer of the actual date of termination of service, although AT&T expects that all such customers will have transitioned to other services before the cancellation of that tariff would take effect.

### CONCLUSION

As demonstrated above, the separate corporation and affiliate transaction requirements imposed on the AT&T-Alascom relationship have outlived their useful purpose. They are no longer necessary to protect either consumers or other carriers. Indeed, they serve only to hamstring AT&T in its ability to effectively serve the Alaska market, contrary to the public interest.

With the exception of the CCS tariff, AT&T and Alascom are nondominant carriers and their charges and practices are subject to the marketplace constraints which discipline all other such carriers. Special provisions relating to the CCS tariff are made in this petition for the very limited traffic routed via that service by carriers other than AT&T. In these circumstances, additional regulatory burdens accomplish nothing beneficial.

Consumers will be protected fully. Elimination of corporate restrictions will benefit consumers as AT&T over time will be able to offer a wider range of services in Alaska. The codification of the rate integration policy mandates that most interstate domestic consumer services offered in Alaska by Alascom and/or AT&T must be at AT&T's nationwide, integrated rates. "Cost allocations" are a dead issue because they cannot change integrated rates and specific rate commitments have been made with respect to the CCS tariff. No additional regulation is warranted.

Granting the relief sought here clearly advances the public interest in promoting efficiency and competition. Provision of new services in Alaska would be based upon the efficiencies made available by the integration of Alascom into AT&T, representing a significant competitive improvement and public interest gain. Reducing the regulatory burdens described above will smooth the way to improved services and customer support in Alaska, while conserving public and private resources.

Therefore, AT&T and Alascom respectfully request that the Commission grant this petition and allow AT&T to integrate Alascom into its operations by eliminating the separate corporation, separate tariff and affiliate transaction requirements; by terminating the Bush Policy as part of immediate streamlining of CCS; and by authorizing the termination of the CCS tariff after a two-year transition period. AT&T and Alascom also request that the Commission grant a waiver of its carrier selection and 214 discontinuance rules to permit Alascom customers to be transitioned to AT&T.

Respectfully submitted,

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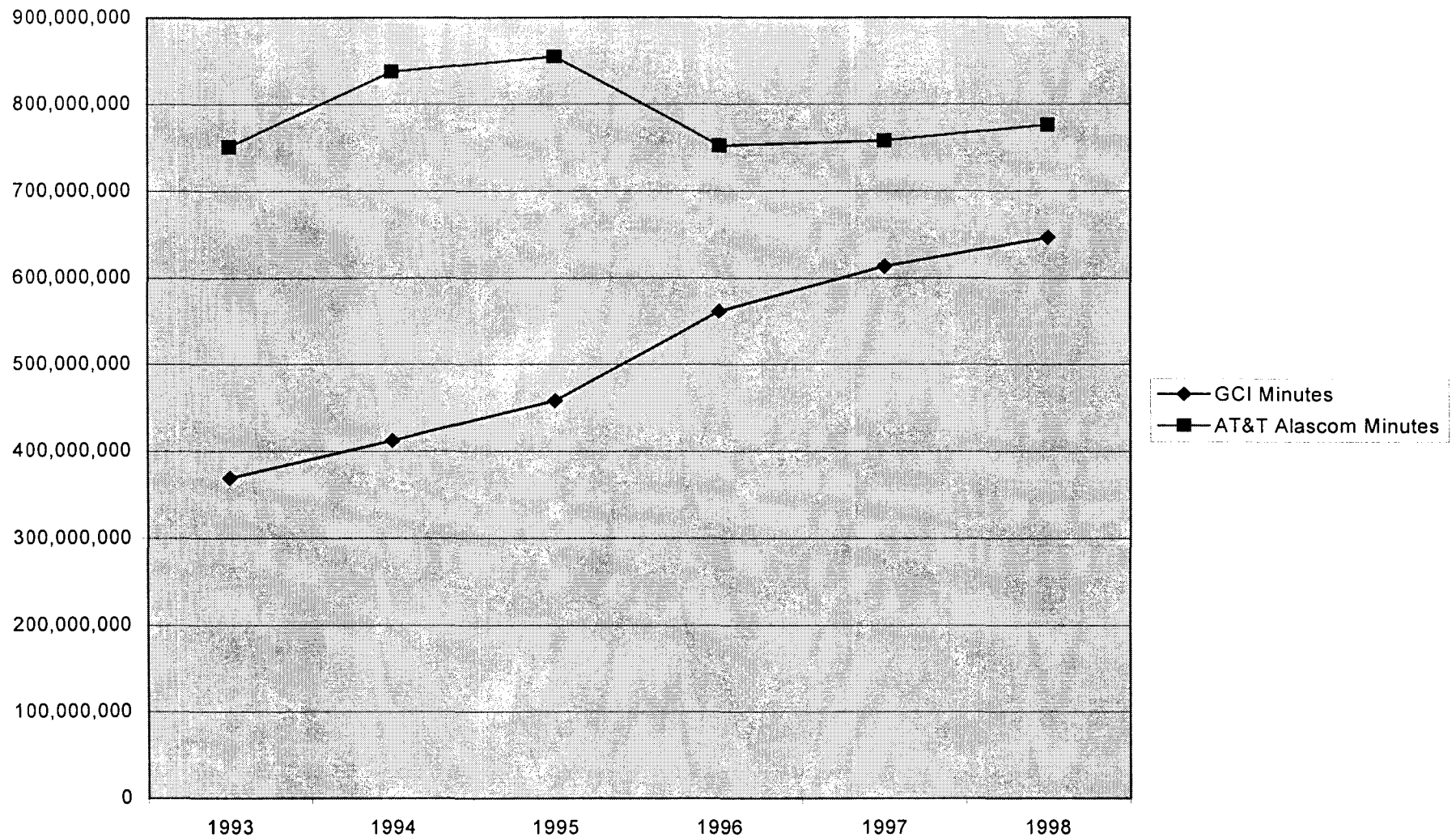
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## GCI vs. AT&T Alascom Domestic Interstate Minutes 1993-1998



GCI Minutes from 1994, 1997 and 1998 SEC Form 10K filings. AT&T Alascom Minutes from 1999 CCS Description and Justification, Trans. No. 1088, filed November 14, 1999.

Attachment A

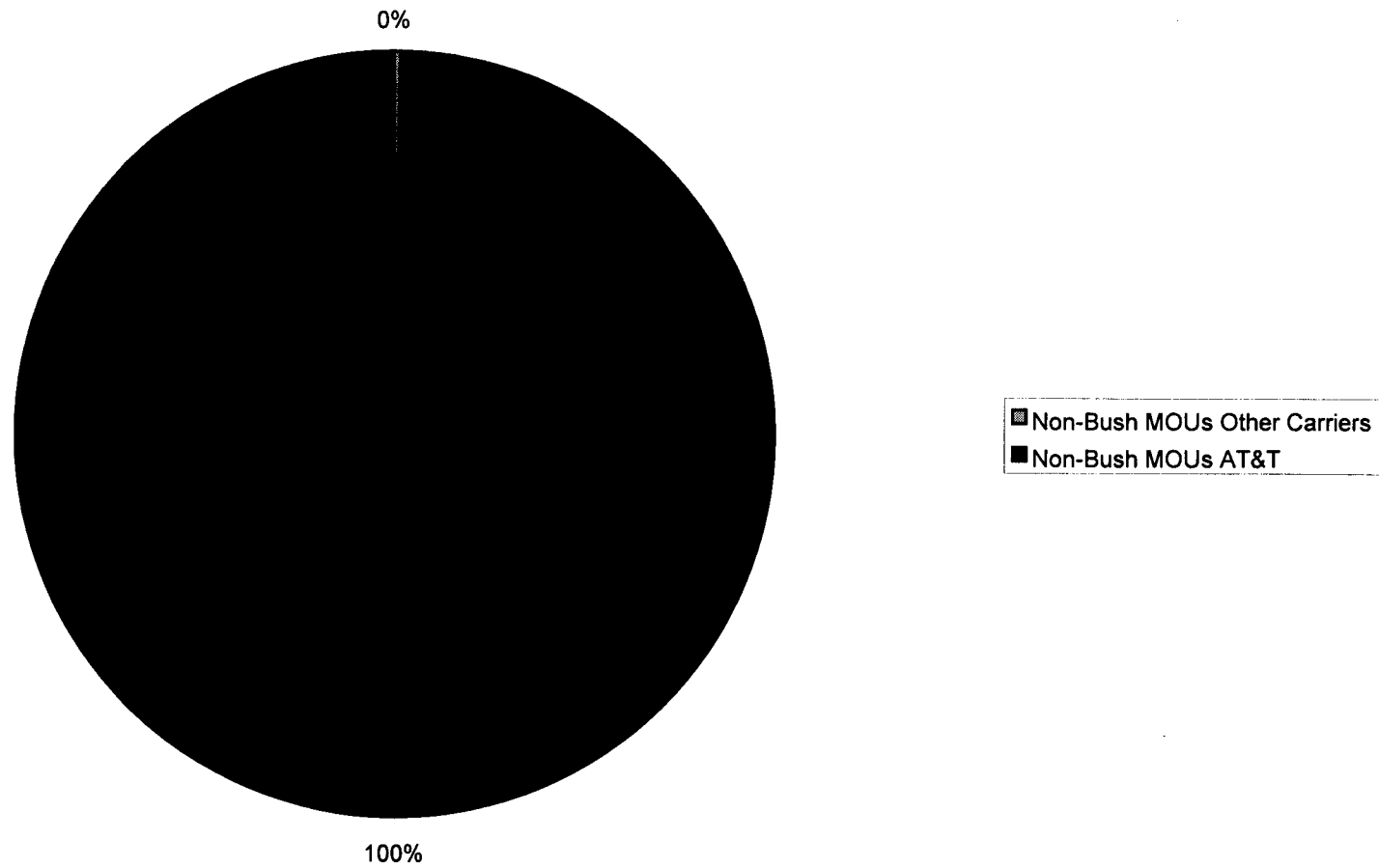
<b>GCI</b>	<b>Minutes</b>
1993	369,234,000
1994	412,069,000
1995	458,131,000
1996	562,084,000
1997	613,760,000
1998	647,134,000

<b>Alascom</b>	<b>Minutes</b>
1993	751,173,000
1994	837,533,000
1995	855,000,000
1996	752,000,000
1997	758,000,000
1998	776,400,000

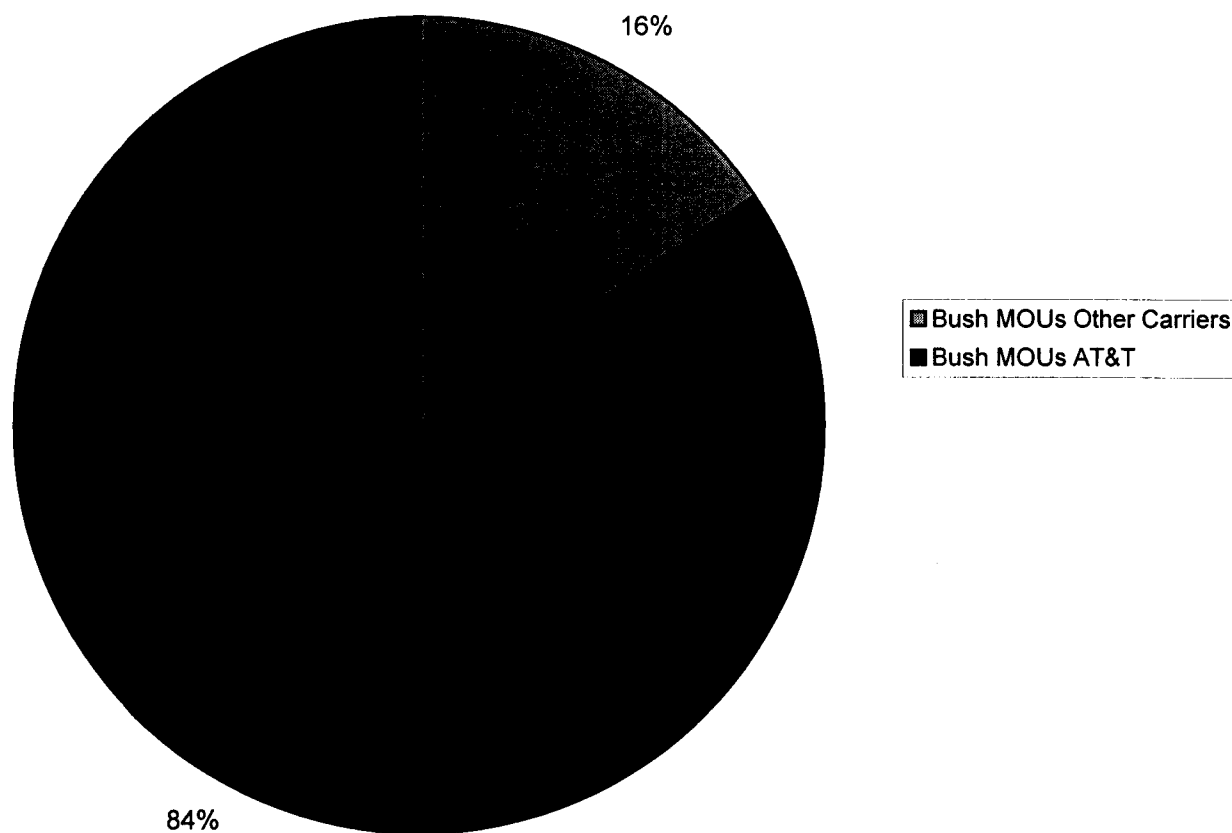
GCI Minutes from 1994, 1997 and 1998 SEC Form 10K Northbound, Southbound & Calling Card.

AT&T Alascom Minutes from 1999 CCS D&J.

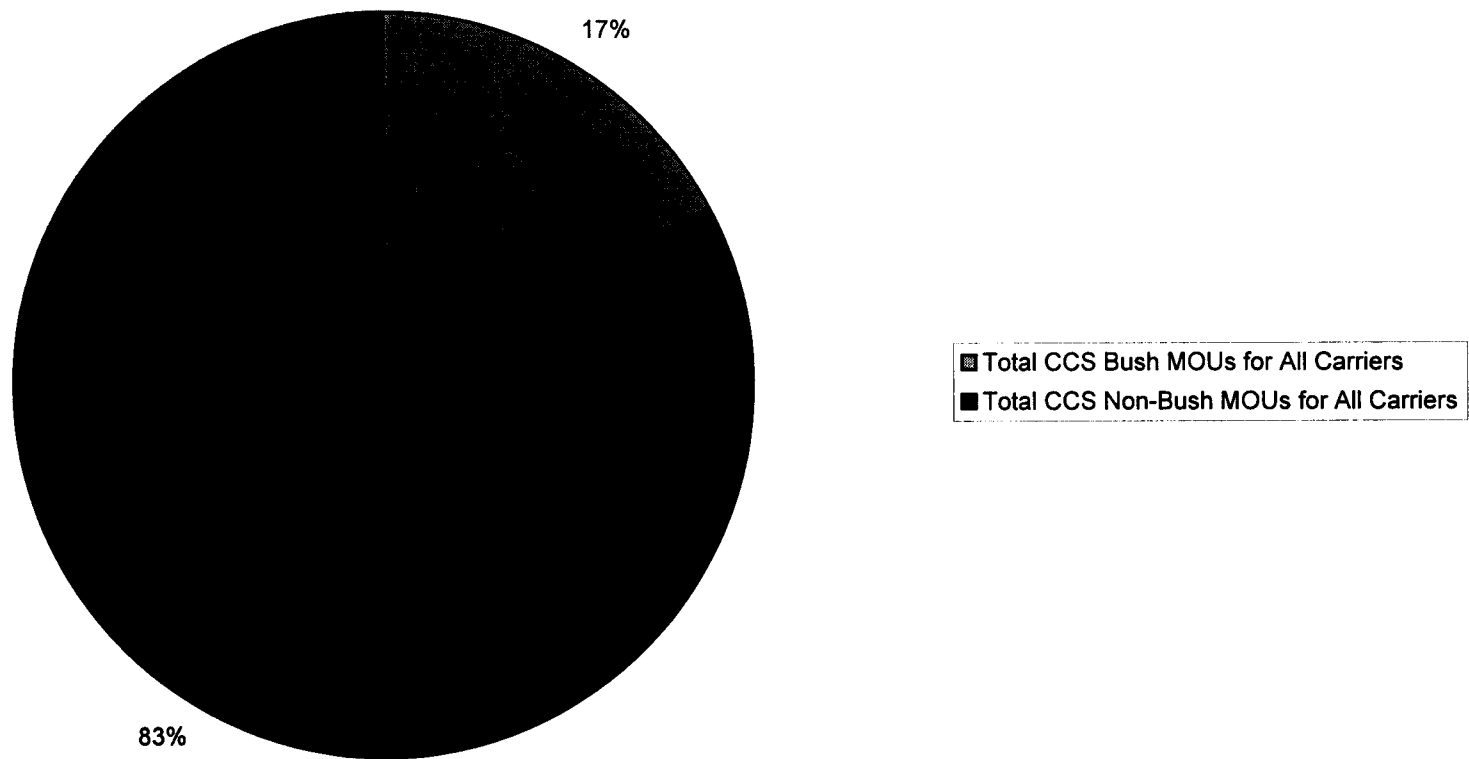
## 1999 CCS Non-Bush Domestic Interstate Minutes of Use



## 1999 CCS Bush Domestic Interstate Minutes of Use



## 1999 CCS Bush and Non-Bush Relative Domestic Interstate Minutes of Use



## 1999 Total CCS Domestic Interstate Minutes of Use

